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Internet Banking; Challenges in Pakistan

Abstract: Internet banking has made the financial transaction very easy to be carried out. In Pakistan as the internet banking is comparatively new and same is the case with financial transactions, there are some problems in performing or carrying out financial transactions. So a study was needed to point out the problems and weak points in internet banking. Questionnaire is used for data collection. Data has been collected from the available bank account holders from different regions in Pakistan. The research found people do not use internet banking. There is little awareness about internet banking. People's perception about internet banking is not good because of the perceived risk. There is also a group of people who don't use internet banking. By analyzing data taken from the respondents some recommendations are made. If those recommendations are applied then it is expected that most of the people will start using internet banking.

Key Words: Internet Banking, Challenges, Financial Transactions

Introduction

Background

As it is an accepted fact globally that 21st century is the century of information technology. The technology has affected every aspect of our lives and it has become a necessity for us. Due to the increasing need for technology, businesses have started adopting new strategies and procedures. (Liao and Cheung, 2009). Internet is a physical network that connects different computers across the world (Chaffy, 2000).

Internet is an information medium which gives us different information services which are developed with the passage of time. Internet provides us a lot of beneficial services like E-Mail, FTP, and Worldwide Web etc. We will soon be able to make transactions of buying and selling over internet with little risk (Fraser et al, 2000).

Electronic Commerce is the buying and selling or carrying out some financial transaction over the digital media. E-Commerce provides the

facility of information technology between different business parties. E-Commerce is not just the buying and selling it is also includes the whole process of developing, advertising, selling, servicing, delivering and paying for products and services (Rayport and Jaworski, 52).

“State Bank of Pakistan” came into being on 1st July 1948 and start working. The responsibility of SBP is issuing money and along with it, also responsible for the regulation of foreign currency and it also analyzes the domestic growth.

Internet Banking

Internet banking refer to the use of internet to carry out some sort of transaction from your account in a bank without going to bank. Internet banking is very easy way for performing business or personal transactions. It is the easiest way of carrying out a transaction which is very much time efficient and cost efficient.

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At start the main purpose of internet banking was information presentation medium on which banks marketing their products on websites. With the development information technology and coming up of the secure protocols some banks started the facility of internet banking. With the facility of internet banking one can access his account(s) easily and maintain and obtain information safely and securely. On the internet banking there are a lot of facilities available; one can check account balance, account summary, income statement, bills payment (utility bills, credit card bill etc) and can transfer funds to the other accounts in the

same branch or bank or to the different accounts in the other banks.

Sometimes we use the term online banking for which we mean the internet banking but in really online banking is a very broad term which is used for some other sorts of banking types like ATMs, Telephone banking, Debit cards, Credit cards, Mobile banking etc.

Here is table given of the features which can be performed through different types of online banking and which will also help us in understanding the concept in a better way.

Table 1. Services and their Functions

Service	ATM	Internet Banking	Telephone Banking
Cash Deposit	Yes	No	No
Cash Withdrawal	Yes	No	No
Balance Enquiry	Yes	Yes	Yes
Mini Statement	Yes	Yes	No
Funds Transfer	Yes	Yes	No
Bills Payment	Yes	Yes	No
Cost on Transaction	Yes	No	Yes
Stop Orders	No	Yes	Yes

Internet banking in Pakistan

Before going to the study of internet banking we will explain first the internet in Pakistan. Internet is the network of networks. This links one computer to the outside world of computers by some protocols. The internet links as well as transfer information from one computer to the other so it also acts like the courier between computers.

Nowadays in Pakistan a number of companies giving the services in the field of

Information Technology in which internet is also in the Top List.

The first international internet access has been started by Digicom in 1995 in Pakistan (www.instedigital.com/1/timeline.htm). After 1996 licenses providing has been started to internet service providers. In 2000 there are about one hundred ISPs to which licenses are issued in which only 40 were offered service. Nearly in 2005 the internet users in Pakistan reaches to 500,000-700,000. Detailed info is in the table given below.

Table 2. Internet Users in Pakistan

Year	Users	Population	%Pen	GDP P.C.	Usage Source
2000	133900	163,985,373	01	N/A	ITU
2006	12,000,000	167,806,831	7.2	US\$ 821	ITU
2009	18,500,000	174,578,558	10.6	US\$ 1,017	ITU
2010	18,500,000	177,276,954	10.4	US\$ 1,068	ITU

Now there is a lot of ISPs and also the broad band internet is available in the large and developed cities area while the Dialup internet connection is available nearly in the all of country but because of the lesser education; here are much more people who can't use internet because they are illiterate and don't know how to use computer and therefore they also can't use internet.

Research Question

In this research it will be find that what the challenges to internet banking in Pakistan are. And to know whether the customers are satisfied with internet banking or not? And what are the reasons of dissatisfaction, if there is any.

Hypothesis

- Banks have achieved efficiency by introducing IT in the transactions and computerization.
- Customers are satisfied with the online transactions.
- There is limited concern for frauds because expert hacker and crackers are not present in this region.

Limitations of the Study

The limitations of the study were limited availability of data and also limited time to conduct the study.

Chapter 2: Literature Review

Literature Review

A lot of work has been done on the internet banking which yields many advantages but that are not enough to completely meet the needs of the customers. For this purpose I have read through some articles and papers like Adoption issues of internet banking in Pakistani firms (Saadullah, 2007), internet banking in Pakistan (Shariq, 2006) and Banker's perception of Electronic Banking in Pakistan (Ahmad Kaleem, 2008). On the basis of these articles and papers it is decided that the main advantage of the internet banking is its availability because you can have

access to your account twenty four hours a day and seven days a week and its main disadvantage is security risk.

In Pakistan about 75% of banks are providing online facilities through their websites from 2004 but that are not fulfilling the needs of the consumer and their expectations. Some of these banks provides little information and services to the customers. There is no live support for customers which create a big communication problem. These banks provide email contact but the answer is not on the real time which is a disadvantage for banks should. So if the banks want to attract more and more customer they need to provide real time support and they should start live support at their websites which can flourish their business. The bank should give focus on the security risks (Saadullah, 2007).

Sometime the consumers are not willing of accepting new technology but they are in favor of old system and they resist to the changes. The early study on the "effect of technology on financial transactions" in which ATM is also included, this showed that a number of old customers are in favor of human teller instead of Automated Teller Machine (Ziethaml, 1987).

Factors for the un acceptance of new technology are: New technology needs complex understanding and requires high mental capability, so it makes it difficult for users to manipulate it.

There are many positive and negative feelings about technology. Some take it positive and they think technology makes life easier while other says that it makes things difficult and less secure. Some researches showed that the attitude and belief of the users about technology with their intension to use it (Chircu, Kauffman, 2002).

Customer security is also a major issue associated with internet banking (Zugelder, 2000). Customer security issues are concerned with building confidence in users that they are protected from deception, unauthorized access and the usage by others like hackers. The other determining for internet banking is; how many customers have access to internet. There are also

some other factors which determine loyalty towards the internet banking are, like there are customers who want to make social relationship with bankers so they will not prefer the internet banking and will go for conventional banking. While others who want efficiency and ease of use they will definitely prefer internet banking.

(Dannelly, 1983) give impotence to the awareness before adoption of any new product; like this in Pakistan internet banking is new so the banks need to spread awareness through its websites.

The researches made on the customer satisfaction area showed that the contents, web design and layout of the site are some of the major factors in customer satisfaction (W. J. Doll, 1995). Another dependent factor is the level of the user confidence on the internet banking that what will be done with the transactions that are done falsely and what will be the security concerns.

In (1997) Baczak showed in a research that the consumer motive in the adoption of internet banking services strongly concern on some motivational clusters, which are given below

- Trust of system
- Legal support
- Instant gratification and
- Hassle avoiders.

The bank customers do not trust on internet banking for the reasons below.

- System security
- Reliability
- Perceived risk
- Responsiveness
- Distrust of service provider.

The issues of trust should be ensured by trust elements like

- The personal information of the user should be preserved.
- It should verify implicit identity which can be linked with another, spurious websites can be created easily and if a user makes error in writing and he writes mcb.com instead of mcb.com.pk then the user will be directed to the other server and the user security can be compromised.

- The server must have authentication system which guarantees that I am the one who is claiming of it.
- The servers also have system for non-repudiation for the purpose of the assurance that the communicating parties are real one and genuine server and client. If they made a transaction. And at later time they could not deny it.

The main and the strongest reason for the unwillingness of use of internet banking services are security of the system (Madu, 2002). Because of security violations various problems like disruption of informational access (Min and Galle, 1999). Mostly users are not satisfied from the infrastructure of web security (Black, 2000). It is the security in internet banking which is future challenging and which have the chances of more risk of financial transactions (Cunningham, 2003).

There is a record of breach of security in the Citibank which is still recalled in the security circles and because of it ten million Dollars was gone (Barlotta, 1999). The bank system and site should be reliable that it has no technical problems and is available and also functioning properly.

Perceived risk is also a cause of rejecting the internet services by the customer. There should be prompt services for the customer i.e. when the customer does a transaction then the server deliver him the transaction receipt immediately (Berry et al.1985). An important element of system trust is the customer data should not be shared with anyone (Zeithmal, 2002). Security is the main dimension of the service quality (Jun and Cai, 2001).

Chapter 3: Methodology

Type of the Study

This study used descriptive method for the direct response of the respondents. This is very useful in using qualitative technique. Questionnaire survey will be used as a source for primary data collection.

Research tool

The analyses are based on the answers given by the respondents by taking percentage of the answers.

Sampling Procedure

The sample is taken generally from the public, with no specific area.

Sample Size and data Collection

The study makes use of data collected from thirty randomly selected respondents. As the study is

aimed on knowing about consumer’s view about internet banking; so the data will be collected from account holders in the area of Peshawar.

Statistical Tools

As the study is purely descriptive, so it will use simple statistical tools, to have percentage of the answers like SPSS.

Chapter 4: Analysis

Respondent’s profile

Table 3. Age of the Respondent

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	18-25	13	43.3	43.3	43.3
	26-32	9	30.0	30.0	73.3
	33-40	8	26.7	26.7	100.0
	Total	30	100.0	100.0	

Among the respondent 43.2 percent were in the age of 18-25 years, 30 percent were 26-31percent

old while 26.8 percent were in the age of 32-40 years. Table (3)

Table 4. Do you have personal account in any bank?

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	YES	30	100.0	100.0	100.0

All of the respondents were having bank accounts. Among these account holders 40 percent were using internet banking while 60

percent were not using internet banking. Table (4)

Table 5. Do you use internet banking?

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	YES	40.0	40.0	40.0	43.3
	NO	60.0	60.0	100.0	73.3
	Total	100.0	100.0		100.0

Internet banking is relatively new concept in Peshawar, as it is clear from the answers from the respondent. 40 percent were using internet

banking while 60 percent were not using internet banking. 40 percent is still a good some amount in an area like Peshawar. Table (5)

Table 6. If not using internet banking why?

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	You don’t know how to use internet	6	20.0	33.3	33.3

		Frequency	Percent	Valid Percent	Cumulative Percent
	You think that internet banking is risky	12	40.0	66.7	100.0
	Total	18	60.0	100.0	
Missing	System	12	40.0		
Total		30	100.0		

A question was asked from the account holders if they are not using internet banking about the reason, 20 percent said that they don't know about the internet banking which shows lack of awareness of internet banking, while 40 percent

said they consider it risky. While 40 percent were using internet banking. It shows that risk is serious factor in the customer path to internet banking. Table (6)

Table 7. Which of the following banking Services are you using the most?

		Frequency	Percent	Valid Percent	Cumulative Percent
	Branch Counter	4	13.3	13.3	13.3
	ATM	13	43.3	43.3	56.7
Valid	Telephone	2	6.7	6.7	63.3
	Internet Banking	11	36.7	36.7	100.0
	Total	30	100.0	100.0	

In response to my question from users that which services they are using mostly. In their response 13.3 percent users mostly using the bank's branch counter. The mostly users with 43.3 percent answered that they are using ATM. There are also

users with 6.7 percent who answered with that they are using telephone banking mostly. While 36.7 percent of respondent answered that they are using internet banking. Table (7)

Table 8. Do you think that internet banking is better than traditional bank?

		Frequency	Percent	Valid Percent	Cumulative Percent
	YES	11	36.7	36.7	36.7
Valid	NO	19	63.3	63.3	100.0
	Total	30	100.0	100.0	

As most of the people don't know how to use internet banking or there is no awareness about internet banking in Pakistan. So the respondents answers are consists 36.7 percent people who think that internet banking is better than traditional banking. While the remaining 63.3

percent (who don't know about internet banking or they worried about their perceived risk of internet banking) respondents answered with that internet banking is not better than traditional banking. Table (8)

Table 9. Do you think that internet banking provide accurate account of all the transactions?

		Frequency	Percent	Valid Percent	Cumulative Percent
	YES	12	40.0	40.0	40.0
Valid	NO	18	60.0	60.0	100.0
	Total	30	100.0	100.0	

The 40 percent respondents, who are using internet banking, answered that internet banking provides accurate transactions. While others who either not using internet banking or don't know

about internet banking they are 60 percent and answered that internet banking doesn't provide accurate transactions. Table (9)

Table 10. Internet banking is easy to use?

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Agree	11	36.7	36.7	36.7
	Disagree	19	63.3	63.3	100.0
	Total	30	100.0	100.0	

To the question about internet banking that is easy to use? The 36.7 percent of the respondents agreed with it that it is easy to use. But the other

respondents who are not using internet banking are 63.3 percent are not agreed with it. Table (10)

Table 10. what do you think internet banking service is easy for you?

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes	11	36.7	36.7	36.7
	No	19	63.3	63.3	100.0
	Total	30	100.0	100.0	

In the response of the question about internet banking service 63.7 percent replied with yes that internet banking service is also easy to make

transactions. While 63.3 percent respondents answered that is not easy. Table (9)

Table 10. Are you satisfied with the internet banking security mechanism?

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Less Satisfied	2	6.7	16.7	16.7
	Satisfied	9	30.0	75.0	91.7
	Very Satisfied	1	3.3	8.3	100.0
	Total	12	40.0	100.0	
Total	System	18	60.0		
		30	30	100.0	

Among the 100 percent of my research sample in which 40 percent were internet users. In those 40 percent internet users 6.7 percent respondents

were less satisfied. 30 percent were satisfied and 3.3 percent respondents were very satisfied. Table (10)

Table 11. How is the response time of the transaction?

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Slow	8	26.7	66.7	66.7
	Fast	2	6.7	16.7	83.3
	Very Fast	2	6.7	16.7	100.0
	Total	12	40.0	100.0	
Total	System	18	60.0		
		30	100.0		

The question about the response time was answered by 40 percent respondents in which 26.7 percent respondents said that their response time was slow. 6.7 percent respondents told that

their response time was fast and 6.7 percent of respondents said that their response time was very fast. Table (11)

Table 12. Level of Satisfaction with the Reliability of Transaction made on Internet.

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Satisfied	10	33.3	83.3	83.3
	Very Satisfied	2	6.7	16.7	100.0
	Total	12	40.0	100.0	
System		18	60.0		
Total		30	30	100.0	

In this question 60 percent of sample give no answer while in the 40 percent respondents 33.3 percent answered that they are satisfied with the reliability of transactions which were made on

internet and 6.7 percent were very satisfied from the reliability of transaction made on internet banking. Table (12)

Table 13. do you think that the information you given to the site on internet will remain safe?

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes	11	40.0	40.0	40.0
	No	18	60.0	60.0	100.0
	Total	30	100.0	100.0	

About the user privacy the perception of the users who were using the internet banking was good and they answered that they are satisfied that their information will be safe. While the

others who were not using internet banking replied that they are not satisfied with the privacy on internet banking. Table (13)

Table 14. Do you think internet banking is risky?

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes	18	60.0	60.0	60.0
	No	12	40.0	40.0	100.0
	Total	30	100.0	100.0	

To the question about the risk of internet banking; the answer of most respondents was that internet banking is risky. 60 percent answered that internet banking is risky. And 40

percent respondents which is also a considerable amount answered that internet banking is not risky. Table (14)

Table 15. On which factor you can not compromise, to be bad in your bank?

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Security	20	66.7	66.7	66.7
	Reliability	8	26.7	26.7	93.3
	Privacy	2	6.7	6.7	100.0
	Total	30	100.0	100.0	

In the response of the question that user will not compromise on the factor the 66.7 percent of respondents give preference to the security. 26.7 percent replied with reliability and 6.7 percent answered with privacy that their privacy should not be compromised. Table (15)

Chapter 5: Conclusion

Findings

Finding of the study shows that most of the people don't use of internet banking, because there is little awareness and most of the people consider internet banking risky. There is no real time support available at website which is also a factor for not using of internet banking. Internet banking has still not made the work of customer easy. A significant number of people still perceive it not easy. There is no awareness about internet banking. A lot of people don't rely on the online transaction. They think there might be error in transactions made on internet. The response time of the online bank is also slow. Response time slowness can delay financial transactions. It is a very important factor in

transactions, so that the agent of the transaction should know at real time about the effect of his or her transaction.

Recommendation

Banks should do some thing to make people aware of the facilities and easiness, they should advertize the internet banking on TV channels. Internet banking interface should be user friendly, most of the people don't use it because of the complexity of the transactions.

The website should also be in local language i.e. Urdu, because literacy level is low in Pakistan, most of the people in Pakistan know Urdu.

There must be real time support available on the website.

The security side of the internet banking also has to be improved and also an effort to be made for removing the bad perception among the peoples that internet banking is risky and not reliable.

There should be alternative servers if there is some thing wrong so the service will not be down.

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